

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name		County
Fiscal Year End	Opinion Date		Date Audit Report Submitted to State	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES
NO

Check each applicable box below. (See instructions for further detail.)

1. ☐ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☐ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☐ ☐ The local unit has adopted a budget for all required funds.
5. ☐ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☐ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☐ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☐ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☐ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☐ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☐ The local unit is free of repeated comments from previous years.
12. ☐ ☐ The audit opinion is UNQUALIFIED.
13. ☐ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☐ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☐ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input type="checkbox"/>			
The letter of Comments and Recommendations	<input type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name)		Telephone Number		
Street Address		City	State	Zip
Authorizing CPA Signature <i>Hennrich A. Berthiaume</i>		Printed Name		License Number

VILLAGE OF UBLY

Huron County, Michigan

FINANCIAL STATEMENTS

February 29, 2008

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INDEPENDENT AUDITORS' REPORT

To the Village Council
Village of Ubly,
Huron County, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Ubly as of and for the year ended February 29, 2008, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village of Ubly's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the Village of Ubly, as of February 29, 2008, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 24, 2008, on our consideration of the Village of Ubly's, internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The budgetary comparison schedules and schedule of pension plan funding progress as identified in the table of contents are not a required part of the basic financial statements but are supplemental information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village of Ubly's basic financial statements. The accompanying other supplemental information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The Village has not presented a Management's Discussion and Analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not a required part of, the financial statements.

Berthiaume & Co.

June 24, 2008

BASIC FINANCIAL STATEMENTS

VILLAGE OF UBLY

STATEMENT OF NET ASSETS

February 29, 2008

	<i>Governmental Activities</i>	<i>Business-type Activities</i>	<i>Total</i>
Assets:			
Cash and cash equivalents	\$ 1,283,069	\$ 323,406	\$ 1,606,475
Receivables	26,413	7,900	34,313
Capital assets:			
Nondepreciable capital assets	101,810	-	101,810
Depreciable capital assets, net	<u>871,509</u>	<u>1,449,352</u>	<u>2,320,861</u>
Total assets	<u>2,282,801</u>	<u>1,780,658</u>	<u>4,063,459</u>
Liabilities:			
Accounts payable and accrued expenses	6,376	3,695	10,071
Deferred revenue	-	71,055	71,055
Long-term liabilities:			
Due within one year	10,000	20,000	30,000
Due in more than one year	<u>207,704</u>	<u>349,070</u>	<u>556,774</u>
Total liabilities	<u>224,080</u>	<u>443,820</u>	<u>667,900</u>
Net assets:			
Invested in capital assets, net of related debt	788,319	1,080,282	1,868,601
Restricted for:			
Streets	774,105	-	774,105
Unrestricted net assets	<u>496,297</u>	<u>256,556</u>	<u>752,853</u>
Total net assets	<u>\$ 2,058,721</u>	<u>\$ 1,336,838</u>	<u>\$ 3,395,559</u>

The accompanying notes are an integral part of these financial statements.

VILLAGE OF UBLY

STATEMENT OF ACTIVITIES

Year Ended February 29, 2008

Functions/Programs	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	
<i>Governmental activities:</i>				
General government	\$ 161,443	\$ 41,704	\$ -	\$ (119,739)
Public safety	121,001	5,734	14,048	(101,219)
Public works	216,847	82,269	100,766	(33,812)
Health and welfare	500	-	-	(500)
Community and economic development	143	663	-	520
Recreation and culture	85,683	32,547	22,048	(31,088)
Interest on long-term debt	<u>10,033</u>	<u>-</u>	<u>-</u>	<u>(10,033)</u>
Total governmental activities	<u>595,650</u>	<u>162,917</u>	<u>136,862</u>	<u>(295,871)</u>
<i>Business-type activities:</i>				
Water	<u>125,244</u>	<u>181,322</u>	<u>-</u>	<u>56,078</u>
Total business-type activities	<u>125,244</u>	<u>181,322</u>	<u>-</u>	<u>56,078</u>
Total government	<u>\$ 720,894</u>	<u>\$ 344,239</u>	<u>\$ 136,862</u>	<u>\$ (239,793)</u>

The accompanying notes are an integral part of these financial statements.

	<i><u>Governmental Activities</u></i>	<i><u>Business- type Activities</u></i>	<i><u>Total</u></i>
<i>Changes in net assets:</i>			
Net (Expense) Revenue	\$ (295,871)	\$ 56,078	\$ (239,793)
General revenues:			
Taxes:			
Property taxes, levied for general purpose	210,069	-	210,069
Property taxes, levied for street improvements	55,884	-	55,884
Property taxes, levied for library operations	17,434	-	17,434
Franchise taxes	3,535	-	3,535
Grants and contributions not restricted to specific programs	86,354	-	86,354
Unrestricted investment earnings	<u>42,109</u>	<u>439</u>	<u>42,548</u>
Total general revenues, contributions and special items			
Total general revenues and contributions	<u>415,385</u>	<u>439</u>	<u>415,824</u>
Change in net assets	119,514	56,517	176,031
Net assets, beginning of year, as restated	<u>1,939,207</u>	<u>1,280,321</u>	<u>3,219,528</u>
Net assets, end of year	<u><u>\$ 2,058,721</u></u>	<u><u>\$ 1,336,838</u></u>	<u><u>\$ 3,395,559</u></u>

VILLAGE OF UBLY

GOVERNMENTAL FUNDS

BALANCE SHEET

February 29, 2008

	<i>General Fund</i>	<i>Major Street Fund</i>	<i>Local Street Fund</i>	<i>Library Fund</i>	<i>Total Governmental Funds</i>
Assets:					
Cash and cash equivalents	\$ 476,436	\$ 501,278	\$ 261,483	\$ 43,872	\$ 1,283,069
Due from other governmental units	<u>15,069</u>	<u>7,500</u>	<u>3,844</u>	<u>-</u>	<u>26,413</u>
Total assets	<u>\$ 491,505</u>	<u>\$ 508,778</u>	<u>\$ 265,327</u>	<u>\$ 43,872</u>	<u>\$ 1,309,482</u>
Liabilities and Fund Balances:					
Liabilities:					
Accounts payable	\$ 3,061	\$ -	\$ -	\$ -	\$ 3,061
Total liabilities	<u>3,061</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,061</u>
Fund balances:					
Unreserved:					
General fund	488,444	-	-	-	488,444
Special revenue funds	<u>-</u>	<u>508,778</u>	<u>265,327</u>	<u>43,872</u>	<u>817,977</u>
Total fund balances	<u>488,444</u>	<u>508,778</u>	<u>265,327</u>	<u>43,872</u>	<u>1,306,421</u>
Total liabilities and fund balances	<u>\$ 491,505</u>	<u>\$ 508,778</u>	<u>\$ 265,327</u>	<u>\$ 43,872</u>	<u>\$ 1,309,482</u>

The accompanying notes are an integral part of these financial statements.

VILLAGE OF UBLY

RECONCILIATION OF FUND BALANCES OF GOVERNMENTAL FUNDS TO NET ASSETS OF GOVERNMENTAL ACTIVITIES

February 29, 2008

Total fund balances for governmental funds \$ 1,306,421

Total net assets reported for governmental activities in the statement of
of net assets is different because:

Capital assets used in governmental activities are not financial resources
and therefore are not reported in the governmental funds.

Governmental capital assets	1,550,061	
Less accumulated depreciation	<u>(576,742)</u>	973,319

Interest payable in the governmental activities are not payable from
current resources and therefore are not reported in the governmental
funds. (3,315)

Long-term liabilities are not due and payable in the current year and
therefore are not reported in the governmental funds:

Bonds payable	(185,000)	
Loans payable	-	
Compensated absences payable	<u>(32,704)</u>	<u>(217,704)</u>

Net assets of governmental activities \$ 2,058,721

The accompanying notes are an integral part of these financial statements.

VILLAGE OF UBLY

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended February 29, 2008

	<i>General Fund</i>	<i>Major Street Fund</i>	<i>Local Street Fund</i>	<i>Library Fund</i>	<i>Total Governmental Funds</i>
Revenues:					
Property taxes	\$ 210,069	\$ 38,420	\$ 17,464	\$ 17,434	\$ 283,387
Licenses and permits	3,535	-	-	-	3,535
Federal grants	-	-	-	750	750
State grants	87,855	48,054	24,955	2,944	163,808
Contributions from other units	11,797	11,000	16,757	19,104	58,658
Charges for services	91,444	-	-	4,847	96,291
Fines and forfeits	3,869	-	-	647	4,516
Interest and rents	76,726	9,733	11,218	8,557	106,234
Other revenue	7,476	1,588	2,072	20,306	31,442
Total revenues	492,771	108,795	72,466	74,589	748,621
Expenditures:					
Current					
General government	58,405	-	-	-	58,405
Public safety	103,502	-	-	-	103,502
Public works	169,273	35,595	26,650	-	231,518
Health and welfare	500	-	-	-	500
Community and economic development	143	-	-	-	143
Recreation and culture	4,229	-	-	61,856	66,085
Other	98,937	-	-	-	98,937
Capital outlay	2,607	-	-	647	3,254
Debt service				-	
Principal	10,000	-	-	-	10,000
Interest and fees	10,212	-	-	-	10,212
Total expenditures	457,808	35,595	26,650	62,503	582,556
Excess (deficiency) of revenues over expenditures	34,963	73,200	45,816	12,086	166,065
Fund balances, beginning of year	453,481	435,578	219,511	31,786	1,140,356
Fund balances, end of year	\$ 488,444	\$ 508,778	\$ 265,327	\$ 43,872	\$ 1,306,421

The accompanying notes are an integral part of these financial statements.

VILLAGE OF UBLY

RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

February 29, 2008

Net change in fund balances - total governmental funds **\$ 166,065**

Total change in net assets reported for governmental activities in the statement of activities is different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is depreciated over their estimated useful lives and reported as depreciation expense.

Capital outlay	-	
Less depreciation expense	<u>(52,800)</u>	(52,800)

Repayments of principal on long-term obligations are expenditures in governmental but the payments reduce long-term liabilities in the statement of net assets.

Principal payment on bond	10,000
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Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Change in compensated absences payable	(3,930)	
Change in accrued interest on bonds and loans payable	<u>179</u>	<u>(3,751)</u>

Change in net assets of governmental activities **\$ 119,514**

The accompanying notes are an integral part of these financial statements.

VILLAGE OF UBLY

PROPRIETARY FUNDS

STATEMENT OF NET ASSETS

February 29, 2008

	<i><u>Major Enterprise Fund</u></i>
	<i><u>Water Fund</u></i>
Assets:	
<i>Current assets:</i>	
Cash and cash equivalents	\$ 323,406
Accounts receivable	<u>7,900</u>
Total current assets	<u>331,306</u>
<i>Noncurrent assets:</i>	
Capital assets:	
Depreciable capital assets, net	<u>1,449,352</u>
Total noncurrent assets	<u>1,449,352</u>
Total assets	<u>1,780,658</u>
Liabilities:	
<i>Current liabilities:</i>	
Accounts payable	627
Accrued expenses	3,068
Deferred revenue	71,055
Current portion of long-term debt	<u>20,000</u>
Total current liabilities	<u>94,750</u>
<i>Noncurrent liabilities:</i>	
Long-term debt, net of current portion	<u>349,070</u>
Total noncurrent liabilities	<u>349,070</u>
Total liabilities	<u>443,820</u>
Net assets:	
Invested in capital assets, net of related debt	1,080,282
Unrestricted	<u>256,556</u>
Total net assets	<u>\$ 1,336,838</u>

The accompanying notes are an integral part of these financial statements

VILLAGE OF UBLY

PROPRIETARY FUNDS

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

Year Ended February 29, 2008

	<u>Major Enterprise Fund</u>
	<u>Water Fund</u>
Operating revenues:	
Charges for services	\$ 181,322
Total operating revenues	<u>181,322</u>
Operating expenses:	
Personnel	25,360
Fringe benefits	9,204
Contracted services	1,989
Administrative expense	1,220
Mileage	93
Dues, licenses and permits	300
Printing and publishing	3,751
Utilities	4,625
Repairs and maintenance	11,095
Equipment rental	17,076
Other services and supplies	9,070
Depreciation	<u>37,874</u>
Total operating expenses	<u>121,657</u>
Operating income	<u>59,665</u>
Non-operating revenues (expenses):	
Interest income	439
Interest expense	<u>(3,587)</u>
Net non-operating revenues	<u>(3,148)</u>
Net income (loss)	56,517
Net assets, beginning of year, as restated	<u>1,280,321</u>
Net assets, end of year	<u>\$ 1,336,838</u>

The accompanying notes are an integral part of these financial statements.

VILLAGE OF UBLY

PROPRIETARY FUNDS

STATEMENT OF CASH FLOWS

Year Ended February 29, 2008

	<i><u>Major Enterprise Fund</u></i>
	<i><u>Water Fund</u></i>
Cash flows from operating activities:	
Cash received from customers	\$ 209,767
Cash payments for interfund services	1,220
Cash payments to employees	(25,360)
Cash payments to suppliers for goods and services	<u>(140,587)</u>
Net cash provided by operating activities	<u>45,040</u>
Cash flows from capital and related financing activities:	
Acquisition and construction of capital assets	(222,984)
Proceeds from issuance of bonds	369,070
Interest paid	<u>(3,587)</u>
Net cash used by capital and related financing activities	<u>142,499</u>
Cash flows from investing activities:	
Interest received	<u>439</u>
Net cash provided by investing activities	<u>439</u>
Net increase (decrease) in cash and cash equivalents	187,978
Cash and cash equivalents, beginning of year	<u>135,428</u>
Cash and cash equivalents, end of year	<u><u>\$ 323,406</u></u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 59,665
Adjustments:	
Depreciation	37,874
Change in assets and liabilities:	
Accounts receivable	24,433
Due from other funds	1,220
Accounts payable	(85,232)
Accrued expenses	3,068
Deferred revenue	<u>4,012</u>
Net cash provided by operating activities	<u><u>\$ 45,040</u></u>

The accompanying notes are an integral part of these financial statements.

NOTES TO FINANCIAL STATEMENTS

VILLAGE OF UBLY

NOTES TO FINANCIAL STATEMENTS

February 29, 2008

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Village of Uby conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the significant accounting policies:

Reporting Entity:

As required by accounting principles generally accepted in the United States of America, the financial statements of the reporting entity include those of the Village and its component units, if any. In evaluating the Village as a reporting entity, management has addressed all potential component units (traditionally separate reporting entities) for which the Village may be financially accountable and, as such, should be included within the Village's financial statements. The Village (the primary government) has no component units and accordingly, the Village has not consolidated any entities into its financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation:

The accounts of the Village are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Government-wide Financial Statements:

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The statement of net assets and the statement of activities report information on all of the nonfiduciary activities of the primary government. These statements distinguish between activities that are governmental and those that are business-type activities.

The statement of net assets presents governmental activities on a consolidated basis, using the economic resources measurement focus and accrual basis of accounting. This method recognizes all long-term assets and receivables as well as long-term debt and obligations. The Village's net assets are reported in three parts (1) invested in capital assets, net of related debt, (2) restricted net assets, and (3) unrestricted net assets. The Village first utilizes restricted resources to finance qualifying activities.

The statement of activities reports both the gross and net cost of each of the Village's functions. The functions are also supported by general government revenues (property taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The statement of activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

VILLAGE OF UBLY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

February 29, 2008

The net costs (by function) are normally covered by general revenue (property taxes, state sources and federal sources, interest income, etc.). The Village does not allocate indirect costs. In creating the government-wide financial statements the Village has eliminated interfund transactions.

The government-wide focus is on the sustainability of the Village as an entity and the change in the Village's net assets resulting from current year activities.

Fund Financial Statements:

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise fees, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met. Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. All other revenue items are considered to be measurable and available only when cash is received by the government.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the proprietary funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. When both restricted and unrestricted resources are available for use, it is the Village's policy to use restricted resources first, then unrestricted resources as they are needed.

The Village reports the following major governmental funds:

The ***General Fund*** is the primary operating fund of the Village. It is used to account for all financial resources, except for those required to be accounted for in another fund.

The ***Major Street Fund*** is used to account for the maintenance and construction of the Village's major street system.

The ***Local Street Fund*** is used to account for the maintenance and construction of the Village's local street system.

VILLAGE OF UBLY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

February 29, 2008

The ***Library Fund*** is used to account for the maintenance and construction of the Village's library system.

The Village reports the following major enterprise funds:

The ***Water Fund*** is used to account for the revenues and expenses for the operation of a water system.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Village has elected not to follow subsequent private-sector guidance.

Assets, Liabilities and Equity:

Deposits and Investments – Cash and cash equivalents include cash on hand, demand deposits, certificates of deposit and short term investments with a maturity of three months or less when acquired. Investments, if any, are stated at fair value. For purposes of the statement of cash flows, the Village considers all highly liquid investments (including restricted assets) with a maturity when purchased of three months or less and all local government investment pools to be cash equivalents.

Interfund Receivables and Payables – Generally, outstanding amounts owed between funds are classified as “due from/to other funds”. These amounts are caused by transferring revenues and expenses between funds to get them into the proper reporting fund. These balances are paid back as cash flow permits.

Capital Assets – Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair market value at the date of donation. The Village defines capital assets as assets with an initial individual cost in excess of \$1,000. Costs of normal repair and maintenance that do not add to the value or materially extend asset lives are not capitalized. Public domain (infrastructure) assets (e.g., roads, bridges, sidewalks and other assets that are immovable and of value only to the government) are not capitalized. Capital assets are depreciated using the straight-line method over the following useful lives:

Land improvements	20-40 years
Buildings and improvements	20-40 years
Furniture and fixtures	5-10 years
Equipment	5-25 years
Vehicles	5-15 years
Water distribution system	20-40 years

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

February 29, 2008

Compensated Absences – Under agreements with the Village, certain employees are allowed to accumulate up to 90 days for subsequent use or for payment upon termination. All sick leave is accrued when incurred in the government-wide financial statements. Governmental funds record the vested sick leave as an expenditure of the current year to the extent it is paid during the year. The liability has been computed based on pay rates in effect as of February 29, 2008.

Long-term Obligations – In the government-wide financial statements and the proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund statement of net assets.

Fund Equity – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Use of Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Eliminations and Reclassifications:

In the process of aggregating data for the statement of net assets and the statement of activities, some amounts reported as interfund activity and balances in the funds were eliminated or reclassified. Interfund receivables and payables were eliminated to minimize the “grossing up” effect on assets and liabilities within the governmental activities column.

Property Taxes:

Village property taxes are attached as an enforceable lien on property as of July 1. Taxes are levied July 1 and are due without penalty on or before September 14.

The 2007 taxable valuation of the Village totaled \$17,464,413, on which ad valorem taxes levied consisted of 9.5430 mills for the Village’s operating purposes, 2.4965 mills for street lights, 3.2000 mills for municipal streets and .9984 mills for library operations consisting of .2994 mills allocated and .6990 mills voted.

The delinquent real property taxes of the Village are purchased by Huron County. The delinquent real property taxes are received soon enough after year end to be recorded as revenue in the current year.

VILLAGE OF UBLY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

February 29, 2008

NOTE 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information:

The Village follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The Village Manager submits to the Village Council a proposed operating budget by fund for each year. The operating budget includes proposed expenditures and the means of financing them.
2. A public hearing is conducted to obtain taxpayer comments.
3. Prior to March 1, the budget is legally enacted by adoption of the Village Council.
4. Any revision that alters the total expenditures of any fund must be approved by the Village.
5. Formal budgetary integration is employed as a management control device during the year for all funds.
6. Governmental fund budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. A comparison of actual results of operations to the General Fund and major Special Revenue Funds budgets as originally adopted and amended by the Village Council is included in the required supplemental information.
7. All annual appropriations lapse at fiscal year end.

Excess of Expenditures over Appropriations in Budgeted Funds:

During the year, the Village did not incur any expenditures that were in excess of the amounts budgeted.

NOTE 3: DEPOSITS

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency of instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The investment policy adopted by the Village Council is in accordance with Public Act 196 of 1997. The Village's deposits and investments have been made in accordance with statutory authority.

The Village's deposits are subject to custodial risk, which is presented in more detail as follows:

VILLAGE OF UBLY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

February 29, 2008

Custodial Credit Risk of Bank Deposits:

Custodial credit risk is the risk that in the event of a bank failure, the Village's deposits may not be returned to them. The Village does not have a deposit policy for custodial credit risk. At year end, the Village had \$1,618,105 of bank deposits (certificates of deposit, checking, and savings accounts), of which \$881,819 was covered by federal depository insurance and the remainder was uninsured and uncollateralized.

NOTE 4: CAPITAL ASSETS

Capital asset activity for the year ended February 29, 2008 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Governmental activities:				
Nondepreciable capital assets:				
Land	\$ 101,810	\$ -	\$ -	\$ 101,810
Depreciable capital assets:				
Land improvements	113,550	-	-	113,550
Buildings and improvements	919,491	-	-	919,491
Furniture and fixtures	15,937	-	-	15,937
Equipment	301,538	-	-	301,538
Vehicles	97,735	-	-	97,735
Total depreciable capital assets	1,448,251	-	-	1,448,251
Accumulated depreciation	(523,942)	(52,800)	-	(576,742)
Depreciable capital assets, net	924,309	(52,800)	-	871,509
Governmental activities, capital assets, net	<u>\$ 1,026,119</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 973,319</u>
Business-type activities:				
Depreciable capital assets:				
Buildings and improvements	\$ 156,053	\$ -	\$ -	\$ 156,053
Equipment	4,074	-	-	4,074
Distribution system	1,274,687	222,984	-	1,497,671
Total capital depreciable assets	1,434,814	222,984	-	1,657,798
Accumulated depreciation	(170,572)	(37,874)	-	(208,446)
Governmental activities, capital assets, net	<u>\$ 1,264,242</u>	<u>\$ 185,110</u>	<u>\$ -</u>	<u>\$ 1,449,352</u>

VILLAGE OF UBLY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

February 29, 2008

Depreciation expense was charged to functions as follows:

Governmental activities:

General government	\$ 2,482
Public safety	15,112
Public works	16,255
Recreation and culture	<u>18,951</u>

Total governmental activities	<u>\$ 52,800</u>
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Business-type activities:

Water	<u>\$ 37,874</u>
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NOTE 5: LONG-TERM LIABILITIES

The Village issues bonds, notes, and other contractual commitments to provide for the acquisition and construction of major capital facilities and the acquisition of certain equipment.

Long-term liabilities at February 29, 2008 consisted of the following:

<u>Types of Indebtedness</u>	<u>Maturity</u>	<u>Interest Rates</u>	<u>Annual Principal Installments</u>	<u>Original Issue Amount</u>
<u>Governmental Activities</u>				
<u>General Obligation Bonds</u>				
2005 Issue - Village Capital Improvements				
Serial Current Interest Bonds	11/1/07-11/1/21	5.375%	\$10,000-20,000	\$ 195,000
<u>Business-type Activities</u>				
<u>Revenue Bonds:</u>				
2007 Issue - Water Revenue Refunding Bonds				
Serial Current Interest Bonds	10/1/08-10/1/27	2.125%	\$20,000-30,000	\$ 500,000
(Drawn as of 2/29/08 - \$369,070)				

VILLAGE OF UBLY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

February 29, 2008

The following is a summary of long-term liabilities transactions for the year ended February 29, 2008:

	<u><i>Beginning Balance</i></u>	<u><i>Additions</i></u>	<u><i>Retirements</i></u>	<u><i>Ending Balance</i></u>	<u><i>Due Within One Year</i></u>
Governmental activities:					
General Obligation Bonds:					
2005 Issue	\$ 195,000	\$ -	\$ (10,000)	\$ 185,000	\$ 10,000
Compensated Absences	28,774	3,930	-	32,704	-
Total governmental activities					
- long-term liabilities	<u>\$ 223,774</u>	<u>\$ 3,930</u>	<u>\$ (10,000)</u>	<u>\$ 217,704</u>	<u>\$ 10,000</u>
Business-type activities:					
Revenue Bonds:					
2007 Issue	\$ -	\$ 369,070	\$ -	\$ 369,070	\$ 20,000
Total business-type activities					
- long-term liabilities	<u>\$ -</u>	<u>\$ 369,070</u>	<u>\$ -</u>	<u>\$ 369,070</u>	<u>\$ 20,000</u>

The following is a summary of long-term liabilities transactions for the year ended February 29, 2008:

<u><i>Year Ended</i></u>	<u><i>Governmental Activities</i></u>			<u><i>Business-type Activities</i></u>		
<u><i>February 28,</i></u>	<u><i>Principal</i></u>	<u><i>Interest</i></u>	<u><i>Total</i></u>	<u><i>Principal</i></u>	<u><i>Interest</i></u>	<u><i>Total</i></u>
2009	\$ 10,000	\$ 9,675	\$ 19,675	\$ 20,000	\$ 8,100	\$ 28,100
2010	10,000	9,137	19,137	20,000	10,200	30,200
2011	10,000	8,600	18,600	20,000	9,775	29,775
2012	10,000	8,063	18,063	20,000	9,350	29,350
2013	10,000	7,525	17,525	20,000	8,925	28,925
2014-2018	75,000	26,203	101,203	125,000	37,188	162,188
2018-2021	60,000	4,837	64,837	125,000	23,906	148,906
2024-2028	-	-	-	150,000	9,563	159,563
	<u>\$ 185,000</u>	<u>\$ 74,040</u>	<u>\$ 259,040</u>	<u>500,000</u>	<u>\$ 117,007</u>	<u>\$ 617,007</u>
Less amount not drawn down yet:				(130,930)		
				<u>\$ 369,070</u>		

VILLAGE OF UBLY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

February 29, 2008

NOTE 6: DISAGGREGATED RECEIVABLE AND PAYABLE BALANCES

Receivables and payables as of year end for the Village's governmental and business-type activities in the aggregate are as follows:

	<i><u>Governmental Activities</u></i>	<i><u>Business-type Activities</u></i>
Receivables:		
Accounts receivable	\$ -	\$ 7,900
Intergovernmental	26,413	-
Total receivables	<u>\$ 26,413</u>	<u>\$ 7,900</u>
Accounts payable and accrued expenses:		
Accounts payable	\$ 6,376	\$ 627
Interest	-	3,068
Total accounts payable and accrued expenses	<u>\$ 6,376</u>	<u>\$ 3,695</u>

NOTE 7: INTERFUND BALANCES

The composition of interfund receivable and payable balances at February 29, 2008 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Water Fund	General Fund	\$ -
		<u>\$ -</u>

Management does not anticipate individual interfund balances to remain outstanding for periods in excess of one year. The balances resulted from the time lag between the dates that payments between funds are made.

NOTE 8: RISK MANAGEMENT

The Village is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation) and certain medical benefits provided to employees.

The Village has purchased insurance through the Municipal Benefit Services for medical benefits, manages its workers compensation risk, by participating in Michigan Municipal Workers Compensation Fund, and its liability and property risk by participating in the Michigan Municipal League's Liability and Property Pool. The Village pays an annual premium for its workers compensation, property and liability insurance coverage. Both the Michigan Municipal Workers Compensation Fund and the Michigan Municipal Liability and Property Pool are self-sustaining through member premiums. The Michigan Municipal Liability and Property Pool provides, subject to certain deductibles, occurrence-based casualty coverage for each incident and occurrence-based property coverage to its members by internally assuring certain risks and reinsuring risks through commercial companies. Various deductibles are maintained to place the responsibility for small charges with the insured. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

VILLAGE OF UBLY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

February 29, 2008

NOTE 9: EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS

Defined Benefit Pension Plan (Michigan Municipal Employees' Retirement System):

Plan Description – The Local governmental Unit participates in the Michigan Municipal Employees' Retirement System (MERS), an agent multiple-employer defined benefit pension plan that covers municipal employees in the State of Michigan. The system provides retirement, disability and death benefits to plan members and their beneficiaries. MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to MERS at 447 N. Canal Rd., Lansing, Michigan 48917.

Funding Policy – The obligation to contribute and maintain the system for these employees was established by negotiation with the Village Council and personnel policy, which requires employees to contribute to the plan at a rate of 10%. The Village of Ubyly is required to contribute at actuarially determined rate; the current rate was 12.09% of eligible payroll based on the December 31, 2004 valuation.

Annual Pension Costs – For year ended February 29, 2008, the Village's annual pension cost of \$21,326 for the plan was equal to the required and actual contribution. The annual required contribution was determined as part of an actuarial valuation at December 31, 2004, using the entry actual age cost method. Significant actuarial assumption used include: (i) an 8% investment rate of return; (ii) projected salary increases of 4.5% per year; and (iii) 2.5% per year cost of living adjustments. All are determined using techniques that smooth the effects of short-term volatility over a four year period. The unfunded actuarial liability is being amortized at a level percent of payroll on a closed basis. The remaining amortization period is 30 years.

Three year trend information as of February 29, follows:

	<u>2008</u>	<u>2007</u>	<u>2006</u>
Annual pension cost	\$ 21,326	\$ 15,877	\$ 11,756
Percentage of APC contributed	100%	100%	100%
Net pension obligation	-	-	-

Post Employment Benefits:

The Village has no post employment other than the retirement plan mentioned above.

VILLAGE OF UBLY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

February 29, 2008

Deferred Compensation Plan:

The employees of the Village are allowed to contribute on a voluntary basis to a deferred compensation plan through payroll deductions. The plan is made available to all eligible employees by authority of Section 457 of the Internal Revenue Code (IRC), and is administered by National Retirement Solutions. Employees may set aside and invest portions of their current income to meet their financial requirements and supplement their retirement and social security benefits.

The Village adopted GASB Statement No. 32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*. The Village has placed all Deferred Compensation Plan assets with a trustee, relinquishing all fiduciary accountability for the assets. Accordingly, the related assets and liabilities of the plan are not reported in the Village's financial statements.

NOTE 10: PRIOR PERIOD ADJUSTMENT

CORRECTION OF AN ERROR:

In prior years the water billings were recognized as revenue in year billed. The flat rate water bills, which were prepared once a year each year in September, were for future usage. As of February 28, 2007 a portion of the September 2006 water billing was unearned and should have been recorded as "deferred revenue," to be recognized as revenue in the next year. The business-type water fund beginning net assets were restated as follows:

	Water Fund
Net assets February 28, 2007, as previously stated	\$ 1,347,364
Adjustments to reclassify unearned revenue to deferred revenue	<u>(67,043)</u>
Net assets February 28, 2007, as restated	<u>\$ 1,280,321</u>

REQUIRED SUPPLEMENTAL INFORMATION

VILLAGE OF UBLY

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

Year Ended February 29, 2008

	<i>Budgeted Amounts</i>			<i>Actual</i>
	<i>Original</i>	<i>Final</i>	<i>Actual</i>	<i>Over (Under)</i>
				<i>Final Budget</i>
Revenues:				
Property taxes	\$ 275,000	\$ 275,000	\$ 210,069	\$ (64,931)
Licenses and permits	2,300	2,300	3,535	1,235
State grants	90,200	90,200	87,855	(2,345)
Contributions from other units	11,500	11,500	11,797	297
Charges for services	146,300	146,300	91,444	(54,856)
Fines and forfeits	2,200	2,200	3,869	1,669
Interest and rents	13,850	13,850	76,726	62,876
Other revenue	6,350	6,350	7,476	1,126
Total revenues	547,700	547,700	492,771	(54,929)
Expenditures:				
Current				
General government	72,950	72,950	58,405	(14,545)
Public safety	106,525	106,525	103,502	(3,023)
Public works	169,600	169,600	169,273	(327)
Health and welfare	500	500	500	-
Community and economic development	500	500	143	(357)
Recreation and culture	4,500	4,500	4,229	(271)
Other	118,000	118,000	98,937	(19,063)
Capital outlay	2,607	2,607	2,607	-
Debt service				
Principal	10,000	10,000	10,000	-
Interest and fees	10,213	10,213	10,212	(1)
Total expenditures	495,395	495,395	457,808	(37,587)
Excess (deficiency) of revenues over expenditures	52,305	52,305	34,963	(17,342)
Net change in fund balance	52,305	52,305	34,963	(17,342)
Fund balance, beginning of year	453,481	453,481	453,481	-
Fund balance, end of year	\$ 505,786	\$ 505,786	\$ 488,444	\$ (17,342)

VILLAGE OF UBLY

SPECIAL REVENUE FUND – MAJOR STREET FUND

BUDGETARY COMPARISON SCHEDULE

Year Ended February 29, 2008

	<i><u>Budgeted Amounts</u></i>			<i><u>Actual</u></i>
	<i><u>Original</u></i>	<i><u>Final</u></i>	<i><u>Actual</u></i>	<i><u>Over (Under)</u></i>
				<i><u>Final Budget</u></i>
Revenues:				
Property taxes	\$ 40,000	\$ 40,000	\$ 38,420	\$ (1,580)
State grants	42,000	42,000	48,054	6,054
Contributions from other units	11,000	11,000	11,000	-
Interest and rents	9,500	9,500	9,733	233
Other revenue	3,000	3,000	1,588	(1,412)
Total revenues	<u>105,500</u>	<u>105,500</u>	<u>108,795</u>	<u>3,295</u>
Expenditures:				
Current				
Public works	<u>50,450</u>	<u>50,450</u>	<u>35,595</u>	<u>(14,855)</u>
Total expenditures	<u>50,450</u>	<u>50,450</u>	<u>35,595</u>	<u>(14,855)</u>
Excess (deficiency) of revenues over expenditures	<u>55,050</u>	<u>55,050</u>	<u>73,200</u>	<u>18,150</u>
Net change in fund balance	55,050	55,050	73,200	18,150
Fund balance, beginning of year	<u>435,578</u>	<u>435,578</u>	<u>435,578</u>	<u>-</u>
Fund balance, end of year	<u>\$ 490,628</u>	<u>\$ 490,628</u>	<u>\$ 508,778</u>	<u>\$ 18,150</u>

VILLAGE OF UBLY

SPECIAL REVENUE FUND – LOCAL STREET FUND

BUDGETARY COMPARISON SCHEDULE

Year Ended February 29, 2008

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Actual</i>
	<i>Original</i>	<i>Final</i>	<i>Actual</i>	<i>Over (Under) Final Budget</i>
Revenues:				
Property taxes	\$ 29,500	\$ 29,500	\$ 17,464	\$ (12,036)
State grants	24,500	24,500	24,955	455
Contributions from other units	-	-	16,757	16,757
Interest and rents	5,000	5,000	11,218	6,218
Other revenue	500	500	2,072	1,572
Total revenues	<u>59,500</u>	<u>59,500</u>	<u>72,466</u>	<u>12,966</u>
Expenditures:				
Current				
Public works	<u>30,650</u>	<u>30,650</u>	<u>26,650</u>	<u>(4,000)</u>
Total expenditures	<u>30,650</u>	<u>30,650</u>	<u>26,650</u>	<u>(4,000)</u>
Excess (deficiency) of revenues over expenditures	<u>28,850</u>	<u>28,850</u>	<u>45,816</u>	<u>16,966</u>
Net change in fund balance	28,850	28,850	45,816	16,966
Fund balance, beginning of year	<u>219,511</u>	<u>219,511</u>	<u>219,511</u>	<u>-</u>
Fund balance, end of year	<u>\$ 248,361</u>	<u>\$ 248,361</u>	<u>\$ 265,327</u>	<u>\$ 16,966</u>

VILLAGE OF UBLY

SPECIAL REVENUE FUND – LIBRARY FUND

BUDGETARY COMPARISON SCHEDULE

Year Ended February 29, 2008

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Actual</i>
	<i>Original</i>	<i>Final</i>		<i>Over (Under)</i> <i>Final Budget</i>
Revenues:				
Property taxes	\$ 21,000	\$ 21,000	\$ 17,434	\$ (3,566)
Federal grants	-	-	750	750
State grants	-	-	2,944	2,944
Contributions from other units	3,200	3,200	19,104	15,904
Charges for services	22,700	22,700	4,847	(17,853)
Fines and forfeits	1,800	1,800	647	(1,153)
Interest and rents	8,900	8,900	8,557	(343)
Other revenue	7,000	7,000	20,306	13,306
Total revenues	64,600	64,600	74,589	9,989
Expenditures:				
Current				
Recreation and culture	63,700	63,700	61,856	(1,844)
Capital outlay	900	900	647	(253)
Total expenditures	64,600	64,600	62,503	(2,097)
Excess (deficiency) of revenues over expenditures	-	-	12,086	12,086
Net change in fund balance	-	-	12,086	12,086
Fund balance, beginning of year	219,511	219,511	31,786	(187,725)
Fund balance, end of year	<u>\$ 219,511</u>	<u>\$ 219,511</u>	<u>\$ 43,872</u>	<u>\$ (175,639)</u>

PENSION SYSTEM SCHEDULE OF FUNDING PROGRESS

February 29, 2008

The schedule of funding progress is as follows:

Actuarial Accrued Liability (AAL)	581,652	545,318	405,314
Unfunded AAL (UAAL)	224,794	216,700	116,607
Funded Ratio	61%	60%	71%
Covered Payroll	178,673	116,076	148,384
UAAL as a percentage of covered payroll	126%	187%	79%

OTHER SUPPLEMENTAL INFORMATION

VILLAGE OF UBLY

GENERAL FUND

DETAILED SCHEDULE OF REVENUES

Year Ended February 29, 2008

Revenues:

Current Taxes:

Property taxes	\$ 210,069
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Licenses and permits:

CATV franchise fees	3,535
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State Grants:

Liquor license fees	2,251
State revenue sharing - sales tax	85,604
	<u>87,855</u>

Contribution from other units:

Police protection fees	5,000
Contributions from school district	6,797
	<u>11,797</u>

Charges for services:

Refuse collection fees	47,941
Recreation fees	500
Police services	1,850
Zoning/varaince/appeals fees	663
Charges to other funds	40,490
	<u>91,444</u>

Fines and forfeits:

Ordinance fines	3,793
Police	76
	<u>3,869</u>

Interest and rents:

Interest	12,601
Rents	64,125
	<u>76,726</u>

Other Revenue:

Contributions and donations	15
Reimbursements	1,214
Other	6,247
	<u>7,476</u>

Total revenues	<u>\$ 492,771</u>
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VILLAGE OF UBLY

GENERAL FUND

DETAILED SCHEDULE OF EXPENDITURES

Year Ended February 29, 2008

General Government:

Council:

Personnel	\$ 10,223
Transportation	81
Dues and memberships	1,129
Other	8,603
	<u>20,036</u>

Administration:

Personnel	<u>11,758</u>
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Clerk:

Personnel	7,723
Printing and publications	1,412
	<u>9,135</u>

Treasurer:

Personnel	<u>4,292</u>
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Elections:

Other	<u>1,837</u>
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Building and Grounds:

Supplies	4,636
Telephone	880
	<u>5,516</u>

Attorney:

Contracted services	<u>5,831</u>
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Total general government	<u>58,405</u>
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VILLAGE OF UBLY

GENERAL FUND

DETAILED SCHEDULE OF EXPENDITURES (CONTINUED)

Year Ended February 29, 2008

Public Safety:

Police:

Personnel	90,915
Supplies	6,213
Contracted services	1,928
Telephone	2,049
Conferences and workshops	129
Utilities	1,775
Other	493
Total public safety	<u>103,502</u>

Public Works:

Department of Public Works:

Personnel	88,886
Supplies	9,723
Contracted services	50
Utilities	2,727
Repairs and maintenance	7,836
Other	400
	<u>109,622</u>

Drains:

Contracted services	<u>850</u>
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Street Lighting:

Utilities	<u>23,135</u>
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Refuse:

Contracted services	<u>35,666</u>
Total public works	<u>169,273</u>

VILLAGE OF UBLY

GENERAL FUND

DETAILED SCHEDULE OF EXPENDITURES (CONTINUED)

Year Ended February 29, 2008

Community and Economic Development:

Planning Commission:

Other	143
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Health and Welfare:

Senior Center:

Contracted services	500
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Recreation and Culture:

Parks and Recreation:

Utilities	3,729
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Other	500
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Total recreation and culture	4,229
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Other:

Insurance and bonds	15,719
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Employee benefits	43,277
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Retirement	21,151
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Payroll taxes	18,743
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Unemployment insurance	47
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Total other	98,937
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Capital Outlay:

Public safety	2,607
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Debt Service:

Principal	10,000
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Interest and fees	10,212
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Total debt service	20,212
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Total expenditures	\$ 457,808
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VILLAGE OF UBLY

GOVERNMENTAL ACTIVITIES

SCHEDULE OF INDEBTEDNESS

February 29, 2008

Issue dated 8/23/05 in the amount of	\$	195,000
Less: Principal paid in prior years		(10,000)
Principal paid in current year		<u>(10,213)</u>
Balance payable at February 29, 2008	\$	<u>174,787</u>

Balance payable as follows:

<i>Fiscal Year Ended</i>	<i>Interest Rate</i>	<i>Interest due</i>		<i>Principal due</i>	<i>Total</i>
		<i>5/1</i>	<i>11/1</i>		<i>Annual Requirement</i>
2009	5.375%	\$ 4,972	\$ 4,703	\$ 10,000	\$ 19,675
2010	5.375%	4,703	4,434	10,000	19,137
2011	5.375%	4,434	4,166	10,000	18,600
2012	5.375%	4,166	3,897	10,000	18,063
2013	5.375%	3,897	3,628	10,000	17,525
2014	5.375%	3,628	3,225	15,000	21,853
2015	5.375%	3,225	2,822	15,000	21,047
2016	5.375%	2,822	2,419	15,000	20,241
2017	5.375%	2,418	2,016	15,000	19,434
2018	5.375%	2,016	1,612	15,000	18,628
2019	5.375%	1,612	1,075	20,000	22,687
2020	5.375%	1,075	537	20,000	21,612
2021	5.375%	538	-	20,000	20,538
		<u>\$ 39,506</u>	<u>\$ 34,534</u>	<u>\$ 185,000</u>	<u>\$ 259,040</u>

VILLAGE OF UBLY

BUSINESS-TYPE ACTIVITIES

SCHEDULE OF INDEBTEDNESS

February 29, 2008

2007 WATER SUPPLY SYSTEM REVENUE BONDS

Issue dated 6/28/07 in the amount of	\$	500,000
Less:		
Amount not drawn yet		(130,930)
Principal paid in prior years		-
Principal paid in current year		-
		<u>-</u>
Balance payable at February 29, 2008	\$	<u>369,070</u>

Balance payable as follows:

<i>Fiscal Year Ended</i>	<i>Interest Rate</i>	<i>Interest due</i>		<i>Principal due</i>	<i>Total Annual Requirement</i>
		<i>4/1</i>	<i>10/1</i>	<i>4/1</i>	
2009	5.375%	\$ 3,900	\$ 4,200	\$ 20,000	\$ 28,100
2010	5.375%	5,100	5,100	20,000	30,200
2011	5.375%	4,887	4,888	20,000	29,775
2012	5.375%	4,675	4,675	20,000	29,350
2013	5.375%	4,463	4,462	20,000	28,925
2014	5.375%	4,250	4,250	25,000	33,500
2015	5.375%	3,984	3,985	25,000	32,969
2016	5.375%	3,719	3,719	25,000	32,438
2017	5.375%	3,453	3,453	25,000	31,906
2018	5.375%	3,187	3,188	25,000	31,375
2019	5.375%	2,922	2,922	25,000	30,844
2020	5.375%	2,656	2,656	25,000	30,312
2021	5.375%	2,391	2,391	25,000	29,782
2022	5.375%	2,125	2,125	25,000	29,250
2023	5.375%	1,859	1,859	25,000	28,718
2024	5.375%	1,594	1,594	30,000	33,188
2025	5.375%	1,275	1,275	30,000	32,550
2026	5.375%	956	956	30,000	31,912
2027	5.375%	638	637	30,000	31,275
2028	5.375%	319	319	30,000	30,638
		<u>\$ 58,353</u>	<u>\$ 58,654</u>	<u>\$ 500,000</u>	<u>\$ 617,007</u>

Balance not drawn down as of February 29, 2008	\$	<u>130,930</u>
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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

To the Village Council
Village of Ubly,
Huron County, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the Village of Ubly, as of and for the year ended February 29, 2008, which collectively comprise the Village of Ubly's basic financial statements and have issued our report thereon dated June 24, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Village of Ubly's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We identified deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above, as follows:

Recording, Processing and Summarizing Accounting Data

- Criteria:** All governments are required to have in place internal controls over recording, processing, summarizing accounting data and preparing financial statements.
- Condition:** As is the case with many smaller and medium-sized entities, the government has historically relied on its independent external auditors to assist in the recording, processing, summarizing accounting data and preparing financial statements as part of its external financial reporting process. Accordingly, the government has placed reliance on its external auditors, who cannot by definition be considered a part of the government's internal controls.
- Cause:** This condition was caused by the government's decision that it is more cost effective to have external auditors recommend the necessary adjusting journal entries to its general ledger and prepare the financial statements than to incur the time and expense for the government to perform these tasks internally.
- Effect:** As a result of this condition, the government lacks internal controls over the recording, processing, summarizing accounting data and preparing financial statements, and instead relied, in part, on its external auditors for assistance with this task.
- View of Responsible Officials:** The government has evaluated the cost vs. benefit of establishing internal controls over the recording, processing, summarizing accounting data and preparing financial statements, and determined that it is in the best interests of the government to rely on its external auditors to recommend the necessary adjustments and preparation of the financial statements.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village of Ubly's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, Village Council, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Berthiaume & Co.

Berthiaume & Company
Certified Public Accountants

June 24, 2008



REQUIRED COMMUNICATION TO THE VILLAGE OF UBLY IN ACCORDANCE WITH PROFESSIONAL STANDARDS

To the Village Council
Village of Ubly

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the Village of Ubly for the year ended February 29, 2008, and have issued our report thereon dated June 24, 2008. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility Under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated October 19, 2007, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our engagement letter.

Significant Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Village of Ubly are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. There were no sensitive estimates affecting the financial statements.

Disclosures

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures may be particularly sensitive because of their significance to financial statement users.

Difficulties Encountered in Performing the Audit

We encountered difficulties in getting the Clerk's year end cash balances agreed to the Treasurer's and the bank's balance. We have reviewed and discussed this situation (and possible future solutions) with the Clerk and Treasurer.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements, if any.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated June 3, 2008.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Discussions with Management

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Internal Control Matters

In planning and performing our audit of the financial statements of the Village of Uby as of and for the year ended February 29, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered the Village of Uby's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Municipality's internal control. Accordingly, we do not express an opinion on the effectiveness of the Municipality's internal control.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Municipality's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that misstatement of the Municipality's

financial statements that is more than inconsequential will not be prevented or detected by the Municipality's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Municipality's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses as defined above.

Deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above, follow:

Recording, Processing and Summarizing Accounting Data

Criteria: All governmental units are required to have in place internal controls over recording, processing, summarizing accounting data and preparing financial statements. SAS No. 112 requires us to communicate with you about this.

Conditions: As is the case with many smaller and medium-sized entities, the government has historically relied on its independent external auditors to assist in the recording, processing, summarizing accounting data and preparing financial statements as part of its external financial reporting process. Accordingly, the government has placed reliance on its external auditors, who cannot by definition be considered a part of the government's internal controls.

Cause: This condition was caused by the government's decision that it is more cost effective to have external auditors recommend the necessary adjusting journal entries to its general ledger and prepare the financial statements than to incur the time and expense for the government to perform these tasks internally.

Effect: As a result of this condition, the government lacks internal controls over the recording, processing, summarizing accounting data and preparing financial statements, and instead relied, in part, on its external auditors for assistance with this task.

View of Responsible Officials: The government has evaluated the cost versus benefit of establishing internal controls over the recording, processing, summarizing accounting data and preparing financial statements, and determined that it is in the best interests of the government to rely on its external auditors to recommend the necessary adjustments and preparation of the financial statements.

This communication is intended solely for the information and use of management, Council, and others within the Municipality, and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

Berthiaume & Co.

Berthiaume & Company
Certified Public Accountants

Saginaw, Michigan
June 24, 2008